

New Programs, Lower Yield Offset Higher Q3 Sales at MFlex

Written by Mike Buetow

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RVINE, CA -- Flexible circuit fabricator and assembler **MFlex** expects breakeven net income for its fiscal fourth quarter ended Sept. 30.

The company said lower yields on one new program and higher costs associated with program ramps lowered profits for the period.

A year ago, the flex maker had net income of \$2.4 million for the period, including \$3.2 million in pretax impairment and restructuring costs.

In offering its preliminary results today, the company noted net sales are expected to be within previous company guidance range at approximately \$200 million, up 4% from last year. Gross margin is expected to be approximately 5.7%, below company's guidance, compared to 10% in the prior year.

Chief executive Reza Meshgin said, "Our anticipated fourth-quarter revenue results are in line with our expectations, reflecting continued solid demand for our flex assemblies for multiple new programs. However, we experienced much lower yields than anticipated due to the complexity of one new program. We also faced tight ramp schedules across the new programs and saw reduced labor efficiency as we continued to expand our headcount to support anticipated future production levels. These factors negatively impacted our gross margin during the quarter. Since quarter-end, yields on this program have recovered, the balance of our new program ramps are proceeding as planned and our labor utilization has improved."

MFlex, a top 30 EMS company, will announce final fiscal 2012 fourth quarter and full-year results on Nov. 8.

For the first quarter of fiscal 2013, the company expects net sales to range between \$260 and \$280 million and gross margin to range between 10% and 12% based on the projected sales volume and anticipated product mix.

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Meshgin said, "We expect a significant gross margin rebound in the first quarter of fiscal 2013. In addition, we completed our capacity expansion project in September, which positions us to drive record revenues during the first quarter of fiscal 2013, and support the strong demand forecasts we are seeing from our existing and newer customers for the balance of fiscal 2013."